

Massachusetts Elderly and Prescription Drug Coverage

This publication is the first in a series of monographs based on the results of the Division of Health Care Finance and Policy's 2000 Health Insurance Status of Massachusetts Residents Survey. This series is also available on our web site: www.state.ma.us/dhcfp.

The rising cost of prescription drugs and prescription drug coverage has made it increasingly challenging for many elders to afford necessary medications. Nationwide, 55% of adults ages 65 and over take three or more prescription drugs on a regular basis and 23% report a "serious problem" paying for needed prescription medicines.¹ Massachusetts has experienced disruptions in the Medicare HMO market, such as the capping of the Medicare HMO pharmacy benefit and the discontinuation of several Medicare HMO products.² Access to affordable drug coverage has become a key political issue at both the state and national levels.

This issue of *Access Update* looks at prescription drug coverage for non-institutionalized seniors in Massachusetts and analyzes the burden of prescription drug expenditures on specific categories of Massachusetts elderly. The survey of the health insurance status of Massachusetts residents was conducted between February and July of 2000. Information was collected on 452 households with an elderly resident and 736 elderly individuals living in these households. Interviews were conducted using computer-assisted telephone interviewing technology. The survey questionnaire was available in both Spanish and English. Responses to survey questions were weighted in order to reflect population estimates.

Demographics

- Most Massachusetts elderly are female (57%).
- Over half the population is married (55%), and another 34% are widowed; the remainder have never been married, or are divorced or separated.
- While most seniors (85%) do not work, about 15% of seniors report that they are employed.

- About one-fifth of seniors (19.5%) are low-income (below 150% of the federal poverty level or FPL).
- Metro Boston has the highest proportion of elderly (36%), followed by the Southeast region (19.6%). (see Figure 1 and Figure 2 below)

Figure 1
Massachusetts Non-Institutionalized Elderly by Income

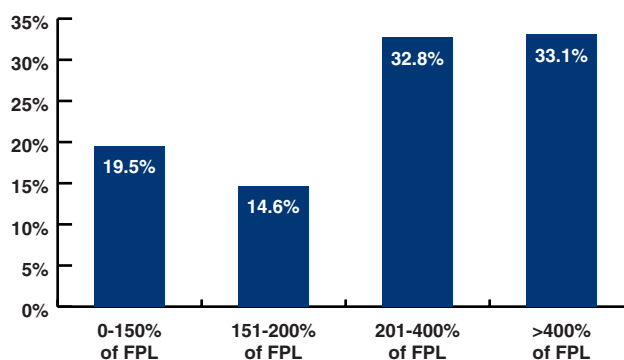
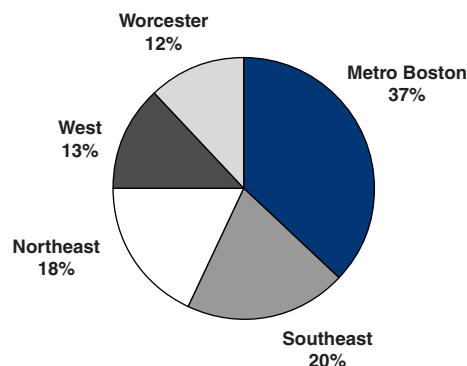


Figure 2
Massachusetts Non-Institutionalized Elderly by Region



Prescription Drug Coverage

Survey results indicate that just over 28% of non-institutionalized Massachusetts seniors lack prescription drug coverage. Low-income seniors are much less likely to have coverage than those residing in households with incomes greater than 150% of the federal poverty level. While 19.5% of seniors reside in low-income households, 44.3% of these elderly lack drug coverage.

Seniors without pharmacy coverage are twice as likely to face high out-of-pocket costs (more than \$75 per month) than those with prescription drug coverage. The burden of out-of-pocket drug costs falls disproportionately on certain groups of the elderly. These groups include seniors without supplemental coverage or Medicaid, low-income elderly, those with chronic conditions, and the very old (ages 85 and over). The majority of elderly who used prescription drugs in the past year spent between \$11 and \$50 out-of-pocket monthly. However, approximately 18% of non-institutionalized Massachu-

setts seniors report that they spend more than \$100 monthly on prescription drugs. Nearly half of low-income seniors without prescription drug coverage (46%) had high out-of-pocket costs (see Figure 3 and Figure 4 below left).

The very old are also disproportionately represented among the population of non-institutionalized seniors lacking prescription drug benefits. While 11.6% of the non-institutionalized elderly are ages 85 and over, more than half of these seniors (56%) report no pharmacy coverage. In comparison, less than 32% of seniors ages 75 to 84 and about 19% of seniors ages 65 to 74 report lacking pharmacy coverage.

Most drug spending is for long-term conditions or a combination of long and short-term conditions. Less than 8% of drug spending for seniors is for short-term conditions only.³ Nearly all seniors with high out-of-pocket costs report at least one long-term condition requiring prescription drug medication.

Figure 3
Monthly Out-of-Pocket Drug Costs

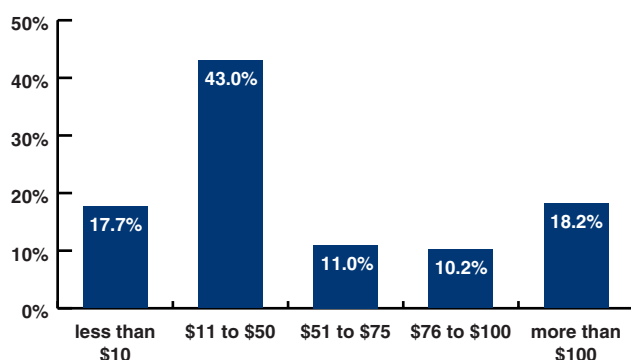
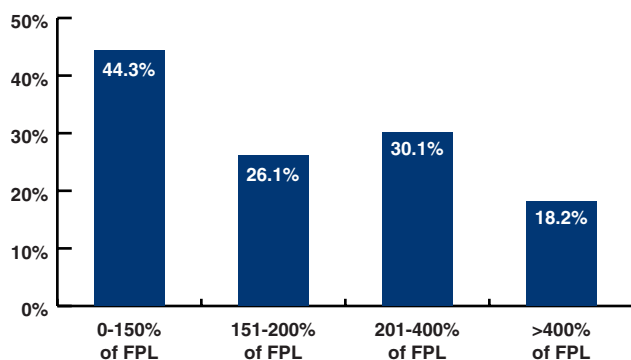


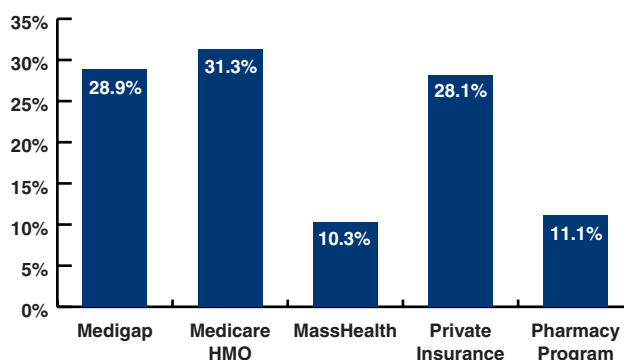
Figure 4
Non-Institutionalized Elderly Lacking Drug Benefit by Income



Sources of Prescription Drug Coverage

About 29% of the elderly report that a Medigap policy helps pay for their drugs, 31% stated that a Medicare HMO provides assistance, 10% credit MassHealth, and 28% report that they receive assistance from a private insurer. Of those interviewed, 11% state that the Senior Pharmacy Program helped pay for their prescription drugs⁴ (see Figure 5 below).

Figure 5
Sources of Prescription Drug Coverage*



*Please note that these responses are not mutually exclusive.

The Senior Pharmacy Program

In response to decreasing coverage for prescription drugs and increasing out-of-pocket expenses for the elderly, the Senior Pharmacy Program was implemented in Massachusetts on July 1, 1997.⁵

Survey respondents were asked about sources of prescription coverage for the past 12 months. For some of that time period the Senior Pharmacy Program provided Massachusetts residents, ages 65 and over, up to \$750 in prescription drug coverage per year. As of January 1, 2000 new legislation amended the Senior Pharmacy Program calling it the Pharmacy Program. The Pharmacy Program now provides up to \$1,250 annually to eligible elders or disabled individuals to help pay for prescription drugs. Survey response indicates that approximately 63,000 seniors receive assistance through this program. These survey results are validated by program enrollment figures.

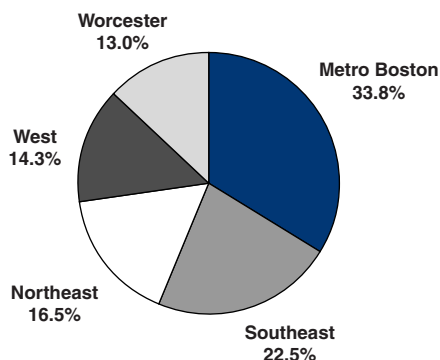
Potentially Eligible Seniors

The elderly most likely to be eligible for the Pharmacy Program are those residing in households with incomes of 185% of the FPL or less with no other prescription drug benefit. Survey data indicate that about 8% of non-institutionalized seniors are potentially eligible. More potentially eligible seniors reside in the Metro Boston region (38.3%) and the West region (23.4%) than in other regions of the state. The majority of eligible seniors report at least one long-term condition requiring prescription drug medication.

Awareness of the Pharmacy Program

The proportion of seniors who have heard of the Massachusetts Pharmacy Program has increased from 35% in 1998 to 55% in 2000. Awareness for seniors within the eligible income category is even greater, with approximately 69% aware of the program. These results indicate that increased outreach efforts were effective. There is a higher awareness of the Pharmacy Program among seniors living in the Metro Boston and Southeast regions (see Figure 6 below).

Figure 6
Awareness of Senior Pharmacy Program by Region



The Prescription Advantage Plan

The "Prescription Advantage Plan" is the name of the new insurance-based prescription drug program signed into Massachusetts law this year. The Advantage Plan will be available to elders and to people with qualified disabilities. When implemented in April of 2001, this plan will replace the existing Pharmacy and Pharmacy Plus Programs.⁶ Those enrolled in these programs will automatically be considered for membership in the new insurance plan. Enrollees contribute monthly premiums, annual deductibles and co-payments on a graduated scale based on annual household income.

Conclusion

Out-of-pocket costs fall most heavily on specific categories of elderly, including low-income seniors, the very old, those with chronic health conditions and those lacking supplemental coverage or Medicaid. Studies based on national samples of persons ages 65 and over report that out-of-pocket expenditures as a percentage of total health care expenditures are highest for those with no supplemental coverage.

The Division's survey findings were validated by a recent study by the Rand Corporation. The Rand study found that among elderly persons, insurance coverage for drugs reduces the fraction of household income spent on prescription drugs by 50%. The authors concluded that the groups most likely to benefit from such coverage are elderly women, low-income seniors, and those with chronic conditions.

As policy makers attempt to allocate limited health care resources, understanding the distribution of out-of-pocket pharmacy costs across sub-groups of elderly is vital. The 2000 Health Insurance Status of Massachusetts Residents Survey provides one source of information for policy makers. With the pending implementation of the new pharmaceutical coverage plan, it is important to continue monitoring the progress of new initiatives in providing access to necessary medications for vulnerable Massachusetts residents.

1. *The NewsHour with Jim Lehrer* / Kaiser Family Foundation / Harvard School of Public Health *National Survey on Prescription Drugs*, 09/2000 (conducted July-September 2000).
2. "No Giving Thanks to Pilgrim," *Boston Globe*, 11/22/1998. See also *Boston Globe*, 08/24/1999, "W. Mass. Elders May Get Health Coverage Aid" by Richard A. Knox.
3. Short-term conditions are defined as conditions lasting fewer than 30 days.
4. Categories overlap—because respondents could select more than one category, the total does not equal 100%.
5. This program is funded through the Children's and Senior's Health Care Assistance Fund and the Tobacco Settlement Fund.
6. Pharmacy Plus Program assists seniors and disabled persons with high prescription drug costs. Qualified applicants must have spent at least 10% of their gross monthly income on prescription drugs in three of the previous six months and have annual income under \$41,200 for individuals and \$55,320 for a couple. The Pharmacy Plus program provides drug coverage with no dollar limit.



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